

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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| Application of Pacific Gas and Electric |) | |
| Company to Report Assessments of |) | A.98-05-022 |
| Inventory Balances and to Address |) | |
| Appraisal of Retained Generation Assets |) | |
| Application of Southern California Edison |) | |
| Company (U-338-E) to Report on the |) | A.98-05-014 |
| Valuation Process for Certain Generation |) | |
| Related Assets Pursuant to D.97-11-074) |) | |

REQUEST OF
THE REGIONAL COUNCIL OF RURAL COUNTIES
FOR THE ESTABLISHMENT OF AN ORDER INSTITUTING
INVESTIGATIVE/RULEMAKING
REGARDING THE DISPOSITION OF UTILITY HYDROELECTRIC
ASSETS AND ASSOCIATED LANDS AND IMPROVEMENTS IN THE
DEREGULATED CALIFORNIA ELECTRICITY MARKET

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Introduction

The Regional Council of Rural Counties (RCRC) wishes to support and associate itself with the request of the Association of California Water Agencies for the California Public Utilities Commission to open an investigation into the future ownership and control of the utility hydroelectric assets, particularly those of Pacific Gas and Electric Company (PG&E).

Potential control of the Electrical Marketplace

The Regional Council of Rural Counties (RCRC) wishes to support and

associate itself with regards to the points made by the Association of California Water Agencies on this subject.

Control of the Water in California

The PG&E system controls 68 powerhouses directly, in 16 watersheds. PG&E generation and dam releases control the flows on 30 major streams and rivers in California. Furthermore, PG&E operates 163 reservoirs in sixteen counties. Most of the surface fresh water in the state flows through these facilities. Control of these facilities and the subsequent operation of these facilities will have significant impact on the environment of all Californians and the water supplies and water quality potential for over twenty million Californians as well as a California's largest single industry - agriculture.

RCRC has successfully raised this point within the CALFED Bay-Delta Program. Their recently released Phase II report recognizes the potential for the PG&E hydroelectric and appurtenant improvements to improve water supplies and environmental protections as noted within its Watershed Program (pgs. 85 and 107). CALFED proposes that the facilities be evaluated for reoperation to provided a comprehensive spectrum of water supply and environmental benefits.

Furthermore, the environmental quality of the Counties in which the facilities are located within may be significantly affected by transfer and or reoperation. These facilities could provide substantial improvements in downstream reservoir operations if coordinated with overall CALFED goals which should net significant water supply and environmental benefits consistent with the Public Trust Doctrine.

The concept of a private, for profit entity(s), which is unregulated, controlling a significant portion of the states fresh water supplies and holding hundreds of miles of river's environmental quality hostage, within shrouded corporate offices is a specter that should give pause to the most outspoken supporter of deregulation.

Conclusion

PG&E has stated, in its May 1, 1998 filing with the Commission, that it does not intend to keep its hydroelectric facilities within the regulated company. Therefore, the entity that controls the PG&E hydroelectric facilities will be able to dictate electric market place prices and if it is an unregulated entity, will have unanticipated and unprecedented control over the water of California. These are significant public policy issues of concern which require a deliberate, thorough, careful evaluation by the Commission. These issues should not be made some sort of a footnote to an appraisal proceeding - shrouded from public discourse and disclosure.

California's economy and its' environment are codependent upon our water resources. Without proper management of those resources there will be harm, most certainly, to our memberships populations. There will also be harm to the environment within our membership area. Those impacts and that harm will spread across the state as an unforeseen shadow cast by the deregulation process. The chill of that shadow will touch every Californian in one way or another and it is the role of the Commission to fully examine to what extent that touch is beneficial or harmful. Brevity is not an attribute for that responsibility.

Given the major policy implications associated with operation and control of the hydroelectric facilities, we urge this commission to establish a new docket to specifically address the control of PG&E's hydroelectric generation assets, appurtenant improvements and associated lands.

Dated: January 8, 1998

Respectfully Submitted



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